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New Zealand

Livestock and Products

Venison: Situation and Outlook

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Approved by:

David Young

U.S. Embassy

Prepared by:

Sven Koops

Report Highlights: After record returns for New Zealand export venison in October 2001, many customers in the German market, restaurants and supermarket chains, have stopped purchasing venison as price levels became uncompetitive relative to substitute meats. The NZ venison industry now suffers from low returns as the season started off weak caused by lower demand and high levels of unsold stocks. NZ plans to significantly increase venison production over the next few years, which it hopes to channel into increasing exports. The industry plans to achieve this with co-ordinated industry action and a long-term strategy focused on market/product development, and quality assurance.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Wellington [NZ1], NZ

SECTION I. SITUATION

Industry Background

New Zealand is the major world supplier of venison. Eighty percent of NZ production is exported, of which 80 percent goes to Europe. Germany takes up to 50 percent of the European market for NZ venison. The U.S. is another important market. There are nine companies that export venison from New Zealand; six of these operate their own processing facilities. New Zealand has about 4,200 deer farmers with deer numbers totaling about 2.8 million. Most New Zealand deer graze on ryegrass pasture, but some specialist pastures such as chicory are also used. Supplementary feeds in winter may include silage, hay or grain. No hormones or growth promotants are used in the farming of New Zealand deer.

The deer industry is led by the New Zealand Game Industry Board (GIB), a statutory producer board, which was established in 1985 by regulations under the Primary Products Marketing Act 1953, in order to "promote and assist with the orderly development of the deer industry". The GIB has four representatives from the New Zealand Deer Farming Association (DFA), three from the New Zealand Deer Industry Association (DIA), and one appointed by the Minister of Agriculture to represent consumers. The Board takes a strategic role in co-ordinating industry marketing and market access, quality and research programs. The GIB has six specific roles and responsibilities: promotion, quality assurance, research, market access and industry representation, funding, and a regulatory role. As part of the promotion role, "Cervena", a name registered exclusively for specialty cuts of New Zealand venison, was introduced in 1983 as part of a strategy to develop a reputation for consistent quality and value. The GIB is responsible to its two industry stakeholders: the DFA and the DIA. The GIB does not sell or buy deer products and refers trade enquiries directly to relevant processors or exporters. The DIA represents the interests of venison processors and exporters, and the velvet/deer product industries, and is funded by membership subscriptions. It acts in association with the Velvet Processors Association in appointing exporter representatives to the GIB Board, to ensure that one Board member has specific velvet sector experience. The DFA represents deer farmers, and aims to encourage, promote and advance information and expertise to deer farmers. Farmer interests are represented at a political level with a structure of 24 branches, affiliated with four specialist breed societies. The association is funded by a combination of voluntary membership subscriptions and a levy on velvet and venison, agreed under the Commodities Levies Act. At current, the levy is NZ 2.5 cents (US 1.15 cents) per kg venison and NZ 12 cents or US 5.52 cents per kg velvet. Income from the commodity levy and voluntary subscriptions ran at NZ\$ 531,444 (US\$ 223,206) in the year ending March 2001, and NZ\$ 670,965 (US\$ 295,225) in the year ending March 2002. A vote will be held by members to decide on whether to fix the levy on venison and velvet at nil, from October, 1 2002 onwards.

Note: more information is available at: www.nzgib.org.nz & www.nzvenison.com

Production & Exports

New Zealand is the world's largest producer and exporter of farmed venison. This means that changes in NZ production have a substantial impact on market returns. Venison production in 2001 exceeded 500,000 animals for the first time – up 25 percent to 504,000. This increased volume was easily absorbed into the market at very high prices, partly as a result of demand caused by European animal

health crises (BSE and FMD) and the low New Zealand dollar. Venison export earnings in 2001 reached a record of NZ\$ 248 million (US\$ 104.16 million) from record volumes of 18,336 MT. Venison returns to farmers exceeded NZ\$ 10 per kg (US\$ 4.2) at their peak in October 2001 – up 30 percent on 2000 and the highest, in real terms, since 1990, indicating that supply was lower than demand.

As European demand for venison is highest during the October-December hunting season, NZ schedule prices are higher over the August-October period. They then generally taper off from November through to April as larger numbers of NZ deer are finished and ready for slaughter. This mismatch of market and production seasons, especially for chilled product, due to location is difficult to overcome. Consequently, most of the venison production is shipped out in frozen form. Chilled venison exports account for about 16 percent by volume and 27 percent by value of all venison exports.

Higher total earnings for chilled venison were achieved in the U.S. than in Germany (36 percent higher than total earnings from the German market) despite only a slightly lower total volume (4.7 percent lower than volumes shipped to Germany). The higher U.S. earnings were due to higher value cuts and returns aided by a weak NZ dollar. Tables 1 & 2 show quantities and values of frozen and chilled venison by destination.

Table 1: Frozen Venison Exports

	1999		2000		2001	
Market	Quan (MT)	US \$ mil	Quan (MT)	US\$ mil	Quan (MT)	US\$ mil
Germany	7,076	25.725	6,988	26.017	8,468	41.322
France	1,145	3.180	1,321	5.137	1,483	7.557
Sweden	791	2.248	981	2.699	1,055	4.091
Austria	117	0.284	229	0.694	905	4.071
Switzerl.	187	0.959	597	2.796	799	4.954
Belgium	941	4.192	505	2.201	663	3.724
U.S.	443	2.333	431	1.996	631	2.623
Total	12,393	45.932	13,134	49.512	16,108	78.243

Source: Statistics New Zealand

Table 2: Chilled Venison Exports

	1999		2000		2001	
	Quan (MT)	US \$ mil	Quan (MT)	US\$ mil	Quan (MT)	US\$ mil
Germany	1,064	7.583	711	4.764	690	5.947
U.S.	559	6.688	635	7.515	658	8.095
Belgium	581	4.410	589	4.728	652	5.917
France	220	1.382	257	1.636	203	1.615
Switzerl.	136	1.282	156	1.449	166	1.911
Netherl.	156	1.618	116	1.198	135	1.598
Italy	52	0.355	140	0.587	131	0.671
Total	2,955	25.025	2,815	23.605	2,783	27.555

Source: Statistics New Zealand

SECTION II. OUTLOOK

Production Forecast

New Zealand's key role as a supplier of farmed venison to the world market means that NZ's own supply situation significantly affects commodity prices, and thus market returns. The total deer population has reached 2.8 million this year (2002) and is forecast to grow to nearly 4 million within the next 10 years. Hinds will continue to make up two thirds of the herd and as such have a major impact on productive capacity and herd growth. Table 3 indicates projected growth in stags and hinds available for kill and total production (note: the production figures are based on June years and therefore may not reconcile with export figures, which are on a calendar year basis. The production projections are based on: (1) continuing strong demand for venison from Europe driven by consumer perception of its healthy attributes; (2) EU pork prices remaining firm (about 50 percent of the variation of venison prices can be explained by EU pork price variations); (3) a steady increase in NZ venison production; (4) increased promotions by NZ exporters and German importers, supported by the GIB; and (5) a strengthening NZ dollar and resulting downward pressure on returns.

Table 3: Venison Production Forecast

	2003	2004	2005
Stag kill (000 hd)	363	417	482
Hind kill (000 hd)	261	298	332
Total kill (000 hd)	624	715	814
Production (MT)	33,400	38,700	44,300

Source: MAF

Over the forecast period (2003-2005), NZ venison prices are expected to continue to be affected by consumer concerns about BSE and FMD on meat products. To a degree last year's high prices, under the influence of strong demand from concerned consumers, have been counterproductive for exports earlier this year. One of New Zealand's most important German importers reported that high prices in September and October 2001 made venison uncompetitive relative to other meats and many restaurants and supermarkets stopped purchasing venison as a consequence. Especially restaurants have high costs associated with menu changes, and the prospect of volatile and high prices forced many to take venison off the menu. The venison market had, consequently, not enjoyed the same strong opening as last year. As a flow-on effect, production volumes for January to March 2002 have dropped back considerably, down 20 percent on the same period last year. From a peak in October 2001 of NZ\$ 10.17 per kg (US\$ 4.27) prices are now (May) at NZ\$ 5.43 per kg (US\$ 2.44) caused by uncertainty in the market over prices and unsold stocks resulting from unsustainably high prices last season (thus slaughter numbers are down, too). Export sales for January 2002 are down about 22 percent and 33 percent for February, on the same months last year.

To overcome the current malaise in the market the industry has planned joint promotional activities

under an agreed common promotional strategy. This strategy is designed to promote venison in the European spring and summer at trade and consumer levels, and to regain some of the price losses and consumer confidence by coordinating supply to meet demand at realistic price levels. Generic promotional materials have been developed by the GIB and are being used by all companies. The GIB has also developed a joint promotional program to leverage significant value for the industry. For every NZ\$ 1 (US\$ 0.45) of levy funds contributed, exporters and their in-market partners are contributing a further NZ\$ 3 (US\$ 1.35). Such work is considered crucial to develop a broader market for anticipated increasing production of venison.

Long-Term Market & Product Development

The production projections in Table 3 show that total New Zealand venison production is expected to increase significantly over the next few years. While demand for exports is expected to increase as a result of economic growth in OECD countries, a proportion of gains in total export sales of venison is planned to be driven by a combination of: (1) a collective industry promotion strategy; (2) co-ordinated activities in the market; and (3) commercial activities by individual companies active in the European market. The industry's aim is to differentiate New Zealand farmed venison from other products. Continuing efforts include a quality assurance program that enables venison to be tracked back from the farm of origin; identifying and developing new market segments within current markets; promoting venison as a versatile protein; developing a younger group of consumers (20 to 40 year old); and identifying specific "ethnic" opportunities.

The industry's 4 year strategic plan, which is due for review soon, includes the achievement of five strategic priorities: (1) a balanced mix of established and emergent markets; (2) a balanced mix of traditional and new products; (3) a balance of supply and demand, as a growing industry requires on-going market development; (4) balanced growth with higher priority towards value rather than volume growth; and (5) management of industry risk through industry insurance policy programs. Some of the direct outcomes of this strategy include:

- A change of the proportion of frozen and chilled exports. Chilled exports currently account for 16 percent of venison exports. However, with the industry's continued research into processing and packaging, this is projected to increase to about 55 percent by 2015.
- The recent problems, especially in the German market, have seen some NZ exporters establish new links with the UK catering and hospitality industry. In an effort to diversify markets and reduce reliance on the German market, industry insiders foresee excellent opportunities for sales growth in a market segment that is largely unfamiliar with farmed venison. This is done through a series of venison cookery workshops in several locations across the UK.
- The industry has ambitious goals in terms of niche product development. Meeting the demand for niche products is forecast to contribute to 80 percent of the growth in the number of farmed deer, which are expected to increase from the current 2.8 million to 3.95 million over the next ten years.